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Second country cooperation framework for Uzbekistan (2000-2004)

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Introduction

1. The second country cooperation framework (CCF) for Uzbekistan for 2000-2004 is based on the main short- and medium-term development priorities of the Government. Stated in the address of President at the first session of the Parliament (second convocation) of the Republic of Uzbekistan, 22 January 2000, these priorities are: (a) political liberalization, which includes promoting the participation of civil society, developing non-governmental organizations (NGOs) and advancing human rights; (b) governance and administration, with the aim to continue the administrative-reform process, promote self-governance, and foster human-resource development and capacity-building; and (c) economic liberalization, which includes taking measures to reduce government regulatory functions, to advance institutional and legal reform, and to develop small- and medium-sized enterprises (SMEs).

2. In line with the Administrator's Business Plans, 2000-2003, the CCF outlines those areas of high priority where UNDP will concentrate its efforts in areas where it has comparative advantages and where it will bring an added value. To strengthen the position of UNDP as a trusted and leading partner of the Government, the existing scope of UNDP interventions will be narrowed down to provide high-quality support in proven areas where UNDP can have a sustainable impact. The CCF formulation process was carried out in close consultation with all UNDP stakeholders and partners, including government ministries, United Nations agencies, bilateral and multilateral development partners and civil-society organizations.

I. Development situation from a sustainable human development perspective

3. Uzbekistan's social and economic transformation has been moderate since independence in 1991, in line with the gradual reform implementation strategy of the Government. Within this context, the key political issue is the concern over potential destabilization arising as a result of fundamentalist movements. The economic and social focus is on the need for jobs creation and income generation through the continued growth of private-sector investment and commercial capacity, as well as through greater human-resource and institutional capacity-building. Environmental problems, such as the Aral Sea tragedy, continuous desertification, and the lack of substantive reforms and investment in the irrigated agricultural sector, foreshadow continued declining productivity and extensive land degradation.

4. Uzbekistan had a ranking of 0.720 on the human development index (HDI) and a global ranking of 92 according to the global Human Development Report (HDR), 1999. Economic growth was restored in 1996 and has since continued with an annual average gross domestic product (GDP) growth of 4½ percent in 1998-1999. The World Bank 1999 Annual Report quotes Uzbekistan gross national product (GNP) per capita income at $870 in 1998. Official labour statistics show a rise in registered unemployment (0.6 per cent of total labour force in the first half of 1999). Independent statistical surveys argue that the magnitude of the problem is understated and cite higher unemployment figures. Similarly, poverty statistics remain scattered. The capacity of the Government to elaborate comprehensive poverty-conscious statistical information will be further reinforced in the preparation of the national human development report (NHDR).

5. With regard to civil society and its participation, the 1999 NHDR indicated that over 2,300 NGOs and public organizations have been created since 1991. Different forms of democratic participation, however, will be fully explored by the public at large. A crucial step was taken when the Government passed the NGO law in 1999 in an effort to boost grass-roots initiatives and thereby supplement the role of the State. A network of over 10,000 neighbourhood associations — *makhallas* — is central to the government vision of decentralization of power and community development.

6. While Uzbekistan has made certain progress towards incorporating human rights into many aspects of law, women still face instances of inequity, with regard to income, employment opportunities and political participation. According to the 1999 NHDR, women occupy less than 18 per cent of all managerial positions and 10 per cent of seats in Parliament. In the economic sphere, the 1999 report on the status of women in Uzbekistan states that the ratio of employed able-bodied women is falling, dropping to 32.6 per cent in 1997.

7. Private-sector development remains one of the country's biggest challenges. Currently, the number of private-sector SMEs is about 169,000, accounting for only 12.3 per cent of GDP. The sector development is constrained by cumbersome legislation that leaves room for interpretations, significant tax burden, lack of business knowledge among the population, and limited access to resources. The Government has recently expressed a great interest in micro-financing, but neither a relevant legislation nor mechanisms of implementation are yet in place.

8. Development of information and communication technology (ICT) and applications remains mostly private-sector driven. Internet use in the country and region is still low. Rough estimates suggest that Internet service providers in Uzbekistan serve several thousand clients on a regular basis, excluding corporate users. Any further growth in the number of users is constrained to a large extent by the public's lack of knowledge about the opportunities and resources that Internet has to offer, as well as by the relatively high access costs.

II. Results and lessons of past cooperation

9. The UNDP country review in July 1999 examined the results and lessons learned from the first CCF, which were extensively discussed and agreed upon with the Government. The first CCF focused on democracy, governance and participation; jobs and incomes; environment; and promotion of regional dialogue.

10. The country review highlighted the lessons learned in the following areas:

(a) *Programming process*. The review stressed the need to follow a consistent and focused approach to programming to avoid ad hoc allocation of resources, and to ensure greater coherence among UNDP-assisted activities so as to achieve larger impact and visibility.

(b) *Exit strategy*. The Government and UNDP need to formulate a joint exit strategy to increase the prospects for the sustainability of key institution-building initiatives. The best practices from worldwide UNDP experience should be reviewed in doing so.

(c) *Institutional knowledge and resources*. Since it has been operating in Uzbekistan, UNDP has accumulated solid substantive knowledge that should be organized for future reference in an easily accessible manner. Information technology would be an excellent means of maintaining institutional memory and of disseminating it to local and international partners.

(d) *Capital-provincial balance*. To counterbalance the tendency to centre projects in Tashkent, steps should be taken to strengthen UNDP support in other targeted provinces of the country.

(e) *Partnerships*. UNDP should continue its efforts in the highly critical area of donor coordination. It should focus on consolidating its efforts with United Nations agencies in common areas of concern identified in the forthcoming common country assessment (CCA), which will also be used as an advocacy tool in the ongoing dialogue with Government and civil society.

(f) *Resource mobilization*. The country office should make an effort to establish a comprehensive resource-mobilization strategy that foresees a more active participation of the Government in fund-raising and promotional activities.

Democracy, governance and participation

11. In terms of substantive results in this thematic area, UNDP has assisted the Centre for Economic Research in carrying out research projects, including the preparation of the annual NHDR. UNDP has also provided 40 government staff members with the opportunity to gain experience and training in management-transformation methods by detaching them to relevant organizations abroad. In the area of external-resource management, UNDP has produced a development assistance database for aid coordination within the Government. UNDP has also assisted in the establishment of an intra-ministerial data-exchange network equipped with Internet access.

12. UNDP has played a coordinating role in the preparation of a new and more enabling legal framework for NGOs, adopted by Parliament in April 1999. It also assisted in strengthening the Office of the Ombudsman and the establishment of the National Centre for Human Rights. Despite these efforts, the promotion and protection of human rights need to be further addressed. The UNDP-sponsored Gender in Development Unit produced a national report on the status of women and assisted in the adoption of the

national action plan as a follow-up to the Beijing Conference.

Jobs and incomes

13. The country review noted the significant impact of UNDP support to the establishment of a business incubator network of 23 incubators throughout the country, which helped in the creation of over 200 businesses and 3,000 new jobs, in the training of 8,000 people and in the investing of $10 million. UNDP also pioneered micro-credit operations in the autonomous republic of Karakalpakstan and in the province of Kashkadarya, with an average repayment rate of 96 per cent. UNDP support was also significant in establishing handicraft associations in Samarkand, Bukhara and Khiva to revitalize traditional crafts lost during the Soviet era. Of particular significance was the emphasis placed on the economic empowerment of women through business and handicrafts.

Environment

14. Two environmental components were addressed: the Aral Sea Shore Rehabilitation and Sustainable Development Planning. As a result of a waterpumps component of the Aral Sea programme, 16,000 people in Karakalpakstan were provided with access to safe drinking water. Other components of this programme, such as the planting of a green shelterbelt around the city of Nukus, had little success. In terms of sustainable development planning, GEF funding has been instrumental in the production of a set of plans and strategies as a follow-up to international environmental conferences approved by the Government.

Promotion of regional dialogue

15. The country review having noted that very minimal progress had been made, the Government decided at the time that it would be preferable to address the issue of promoting regional dialogue on a more country-specific basis.

III. Objectives, programme areas and expected results

16. The overall CCF objective is to support the reform process through socio-economic empowerment and greater public participation for good governance. With this objective, UNDP assistance will focus on two programme areas: sustainable income generation and human-resource development for change. To ensure sustainable results in both programme areas, a combination of upstream and grass-roots support will be pursued and particular attention will be paid to establishing mechanisms for leveraging greater private-sector and civil-society participation. The main sets of programme tools will include: (a) policy advice and advocacy; and (b) institution-building and capacity-building.

A. Sustainable income generation

17. In order to achieve sustainable results in this programme area, UNDP needs to consolidate its efforts to develop the capacity of the Government to examine and formulate policy options and efficiently pursue them. At the same time, upstream policy advice must be accompanied and supported by pilot demonstration interventions that illustrate recommended policy options. Based on UNDP comparative advantages and past experience, SME development and micro-financing will be used as entry points for UNDP interventions.

18. The main results of UNDP support in the programme area of sustainable income generation will be visible in two ways. First, there will be greater understanding by policy makers and the population at large of private-sector development issues thanks to the preparation of policy and research papers. A crucial role in this regard will be played by NHDRs, an essential advocacy tool in facilitating policy dialogue between the Government and civil society. Second, an enabling regulatory and policy framework will be established for SME development and micro-financing. This will be accomplished by providing assistance in both the formulation of policy options and recommendations and in the implementation of policy decisions. Special emphasis will be placed on the expansion of SMEs and micro-financing into rural areas.

19. There will be two levels of indicators used to measure achievements in this programme area. At the initial stage, the establishment of an operational framework for the implementation of micro-credit schemes by NGOs and an estimate of the number of women and households benefiting from their operations will serve as success indicators. Longer-term indicators of sustainability will refer to the

number of adopted policy recommendations on SME development and to the allocation of adequate funding for their implementation. The President's Office, Cabinet of Ministers, parliamentary committees, Centre for Economic Research, United Nations agencies, Bretton Woods institutions and a wide range of donors, including international NGOs, will be the main partners of UNDP.

B. Human-resource development for change

20. The reform process requires sustainable human-resource development. A country in transition, Uzbekistan faces the challenge of intellectual transformation, whose most obvious place would be in the training and retooling of professionals and youth who would ultimately make change happen. The Government has heavily emphasized this process, which has been the cornerstone of the country's transformation. The fundamental tasks of UNDP in this process relate to skills development and knowledge networking with a built-in information-technology component. UNDP support in this programme area will: (a) promote free access to information and emphasize the application of ICT to develop the human-resource capacity; and (b) generate and network the knowledge to facilitate the reform process.

21. In addressing these issues, UNDP aims to: (a) establish an ICT support facility for academia and NGOs and for general use by youth, including public-information access centres; (b) develop a web-based information and advocacy channel; and (c) further develop the capacity of national partners to utilize the knowledge-networking framework established with UNDP support effectively and, as a result, to build a strong platform for knowledge management.

22. Indicators of success for the above results include: (a) the number of people connected and introduced to modern ICT applications; (b) a web site developed that features information on the country's transformation and development (poverty assessments, private-sector development, aid management, etc.); (c) the number of national partners who, through training and retooling, have been able to manage change better; and (d) the number of individuals exposed to new knowledge. In this context, UNDP will reinforce its partnerships with the Open Society Institute, the National Academy of Sciences, and the aid-coordination unit and will pursue new partnerships with specialized national- and international-training institutions, NGOs and the private sector.

23. Human rights and gender concerns will be addressed as cross-cutting themes within the framework of the main programme areas at the following three levels: (a) advocacy; (b) policy advice; and (c) institutional support and grass-roots activities. More specifically, UNDP will provide support in the form of follow-up activities to the World Conference on Human Rights, the World Summit for Social Development and the Fourth World Conference on Women; will continue to act as a trusted development partner of the Government in ensuring that human-rights issues and gender concerns are duly addressed in the regulatory and legal frameworks; and will place special emphasis on promoting human rights and gender equity in pilot grass-roots approaches. In this endeavour, UNDP will cooperate closely with relevant parliamentary committees, the National Ombudsman's Office, the National Centre for Human Rights, the Women's Committee and NGOs.

24. Other UNDP support within the new programme cycle will include interventions based on "client-supplier" relationships in which UNDP acts as a provider of managerial- or operational-support services to a recipient national or international body. It is assumed that these interventions will be funded by partner agencies with no or minimal UNDP financial resources. This particularly relates to:

(a) Managing GEF-funded projects aimed at supporting the follow-up to international environmental conventions and agreements, with special emphasis on biodiversity and climate change, and the Montreal Protocol. The expected results will be:

(i) demonstrated new management approaches and the expanded size of protected areas with significant biodiversity value;

(ii) proven new methods in the areas of energy efficiency that contribute to the reduction of greenhouse gases; and

(iii) the complete phasing out of ozone-depleting substances;

(b) Assisting the Government in its efforts to implement a water supply, sanitation and health project, financed by a loan of $65 million from the International Bank for Reconstruction and

Development (IBRD). Upon completion of UNDP support, it is expected that:

(a) the objectives of the project loan to improve water supply, sanitation and health in the targeted areas (Republic of Karakalpakstan and Khorezm Oblast in the west of Uzbekistan) will be achieved in a timely and transparent manner; and

(b) the national capacity to manage the infrastructure-investment projects, including those financed by international financial institutions, will be strengthened.

IV. Management arrangements

Programme implementation

25. Programme support documents (PSDs) will be developed following a "programmatic approach" in the particular context of UNDP assistance in Uzbekistan. This approach will strengthen the ownership of the Government and main stakeholders, while ensuring greater coherence among various interventions, facilitating results-based management and improving coordination with other donors.

Alignment of the office structure with the new UNDP

26. In line with the newly developed country office management plan (COMP), a more effective office structure, conducive to cost reductions, especially of administrative versus programming costs, will be put in place. The capacity of the country office staff, which supports programme implementation, will be further developed through formal and on-the-job training, retooling and networking with other UNDP country offices and the Regional Bureau for Europe and the CIS (RBEC) regional centre in Bratislava. UNDP will also draw on the wealth of resources available with the Subregional Resource Facility.

Execution modalities

27. UNDP will continue to use the national execution modality in the next programme cycle to further build national capacity and to develop a UNDP exit strategy that is conducive to full national execution ownership by the Government. UNDP will continue to rely, where appropriate, on United Nations specialized agencies to ensure the quality of UNDP-supported programmes and to provide conceptual and technical backstopping in fields where these agencies have comparative advantages. The use of international and national UNV volunteers will be further encouraged. UNDP will build on the experience gained while working both with national and international NGOs to pilot the NGO-execution modality in Uzbekistan. UNDP will also promote the use of the technical cooperation among developing countries (TCDC) modality for the application of existing knowledge.

Monitoring and evaluation

28. To ensure effective management of the country programme and to complement the UNDP results-oriented annual report (ROAR) process, the office monitoring and evaluation plans will be prepared as an integral part of CCF implementation. The success of UNDP support and its impact on the socio-economic development of the country will be assessed using the following indicators: (a) relevance to Government policies and priorities; (b) the achievement of planned outcomes as indicated in programme support documents; (c) increased use of the national execution modality and decreased country office support to national execution. Monitoring and evaluation tools will also include COMP, annual progress reports and tripartite reviews with a broader participation of stakeholders. Since the socio-economic environment is constantly changing, the Government proposed that a mid-term CCF review be undertaken in 2002.

Coordination

29. During 2000-2004, UNDP, the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA) will harmonize programme cycles that foster joint programming and reinforce the implementation of collaborative programmes. UNDP will continue to play a coordinating role both within the United Nations system, including Bretton Woods institutions, and among the donor community.

Resource mobilization and advocacy

30. UNDP will join forces with the Government in mobilizing resources for critical areas of development in Uzbekistan. This partnership will strengthen the government role in fund-raising and promotional activities. The office resource mobilization strategy, covering the whole range of third-party development actors, such as the international financial institution

and the private sector, will reflect the strengthened ability of UNDP to act as an effective and transparent channel for the delivery of development assistance. Furthermore, a results-oriented web site, as part of the existing UNDP Uzbekistan home page, will be developed to market the success of UNDP interventions, as well as its profile and expertise, to a broader donor audience.

Annex

Resource mobilization target table for Uzbekistan (2000-2004)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP regular resources		
Estimated carry-over into 2000	804	Includes AOS.
TRAC 1.1.1	4 515	Assigned immediately to country.
TRAC 1.1.2	0 of TRAC	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	386	In line with decision 95/23, paragraph 19.
SPPD/STS	238	
Subtotal	**5 943***	
UNDP other resources		
Government cost-sharing	62 429	Including carry-over from the previous cycle.
Sustainable development funds	5 872	
	of which:	
Capacity 21	162	
GEF	5 710	Including GEF carry-over from the previous cycle.
Third-party cost-sharing	1 526	Including carry-over from the previous cycle.
Subtotal	**69 827**	
Grand total	**75 770***	

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.